

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Alcona Township	County Alcona
Fiscal Year End 03/31/06	Opinion Date 07/06/06	Date Audit Report Submitted to State 09/29/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

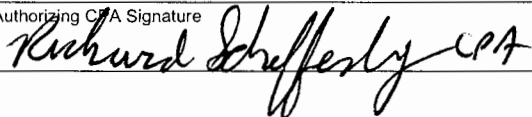
SE  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None Noted	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Willis & Jurasek, CPA's		Telephone Number (517) 788-8660	
Street Address 2545 Spring Arbor Road, Suite 200		City Jackson	State MI
		Zip 49203	
Authorizing CPA Signature 		Printed Name Richard Schefferly	License Number 1101024002

**Alcona Township**  
County of Alcona, Michigan

Financial Statements  
And Independent Auditors' Report

Year Ended March 31, 2006

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### **Independent Auditors' Report**

Township Board of Alcona Township  
Alcona, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alcona Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Alcona Township as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of April 1, 2004.

Alcona Township has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information, as listed in the table of contents, is not a required part of the financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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**WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039

Township Board of Alcona Township

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Alcona Township's basic financial statements. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.



Willis & Jurasek, P.C.

July 6, 2006

**Alcona Township**  
Statement of Net Assets  
March 31, 2006

	<b>Primary Governmental Activities</b>
<b>Assets:</b>	
Cash	\$ 803,872
Taxes receivable	21,405
Due from other funds	3,485
Capital assets:	
Non-depreciable assets	263,000
Depreciable assets, net	<u>307,957</u>
Total assets	<u>1,399,719</u>
<b>Liabilities:</b>	
Other current liabilities	-
Long-term liabilities:	
Due within one year	32,733
Due in more than one year	<u>133,672</u>
Total liabilities	<u>166,405</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	404,552
Unrestricted	<u>828,762</u>
Total net assets	<u>\$ 1,233,314</u>

See Notes to Financial Statements.

**Alcona Township**  
Statement of Activities  
Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 134,749	\$ 2,538	\$ 1,000	\$ (131,211)
Public safety	160,358	-	-	(160,358)
Public works	170,816	-	-	(170,816)
Recreation and culture	17,396	-	-	(17,396)
Total governmental activities	\$ 483,318	\$ 2,538	\$ 1,000	(479,781)

General revenues:	
Property taxes, levied for general purposes	402,197
Interest and rentals	27,379
Intergovernmental	73,548
Miscellaneous	20,710
Total general revenues	523,834

**Change in Net Assets** 44,053

**Net Assets - Beginning of Year** 1,189,261

**Net Assets - End of Year** \$ 1,233,314

See Notes to Financial Statements.

**Alcona Township**  
Balance Sheet  
Governmental Funds  
March 31, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Fire Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash	\$ 319,302	\$ 263,067	\$ 211,834	\$ 9,669	\$ 803,872
Receivables:					
Taxes receivable	3,140	9,059	9,080	126	21,405
Due from other funds	3,485	-	-	-	3,485
Total assets	<u>\$ 325,927</u>	<u>\$ 272,126</u>	<u>\$ 220,914</u>	<u>\$ 9,795</u>	<u>\$ 828,762</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Other liabilities	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Unrestricted	325,927	272,126	220,914	9,795	828,762
Total fund balances	<u>325,927</u>	<u>272,126</u>	<u>220,914</u>	<u>9,795</u>	<u>828,762</u>
Total liabilities and fund balances	<u>\$ 325,927</u>	<u>\$ 272,126</u>	<u>\$ 220,914</u>	<u>\$ 9,795</u>	<u>\$ 828,762</u>

See Notes to Financial Statements.



# Alcona Township

## Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets March 31, 2006

<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 828,762</b>
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Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds.

The cost of the capital assets is

\$ 1,168,975

Accumulated depreciation is

(598,018)

570,957

Long-term liabilities not due and payable in the current period  
and not reported in the funds:

Capital lease

(91,332)

Note payable

(75,073)

(166,405)

**Total Net Assets - Governmental Activities**

**\$ 1,233,314**

**Alcona Township**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended March 31, 2006

	<b>General Fund</b>	<b>Road Fund</b>	<b>Fire Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Revenues:</b>					
Taxes	\$ 94,146	\$ 150,479	\$ 150,479	\$ 7,093	\$ 402,197
Intergovernmental	73,548	-	-	-	73,548
Interest and rentals	20,782	-	6,597	-	27,379
Other revenue	12,808	3,283	8,157	-	24,248
Total revenues	<u>201,284</u>	<u>153,762</u>	<u>165,233</u>	<u>7,093</u>	<u>527,372</u>
<b>Expenditures:</b>					
General government	124,326	-	-	-	124,326
Public safety	-	-	96,436	-	96,436
Public works	-	170,816	-	-	170,816
Capital outlay	164,405	-	57,272	-	221,677
Recreation and culture	6,157	-	-	11,239	17,396
Total expenditures	<u>294,888</u>	<u>170,816</u>	<u>153,708</u>	<u>11,239</u>	<u>630,651</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(93,604)</u>	<u>(17,054)</u>	<u>11,525</u>	<u>(4,146)</u>	<u>(103,279)</u>
<b>Other Financing Sources (Uses):</b>					
Loan proceeds	99,036	-	-	-	99,036
Total other financing sources (uses)	<u>99,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,036</u>
<b>Net Changes in Fund Balances</b>	<u>5,432</u>	<u>(17,054)</u>	<u>11,525</u>	<u>(4,146)</u>	<u>(4,243)</u>
<b>Fund Balances - Beginning of Year</b>	<u>320,495</u>	<u>289,180</u>	<u>209,389</u>	<u>13,941</u>	<u>833,005</u>
<b>Fund Balances - End of Year</b>	<u>\$ 325,927</u>	<u>\$ 272,126</u>	<u>\$ 220,914</u>	<u>\$ 9,795</u>	<u>\$ 828,762</u>

See Notes to Financial Statements.

**Alcona Township**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Governmental Funds  
Year Ended March 31, 2006

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(4,243)
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Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$ (56,564)		
Capital outlay	173,129		116,565

Loan proceeds are reported as financing sources in governmental funds and  
thus contribute to the change in fund balance. In the Statement of Net Assets,  
however, issuing debt increases long-term liabilities and does not affect the  
Statement of Activities. Similarly, repayment of principal is an expenditure in the  
governmental funds but reduces the liability in the Statement of Net Assets.

Current year loan proceeds	(99,036)		
Repayment of loan principal	30,767		(68,269)

<b>Change in Net Assets of Governmental Activities</b>	\$	<u>44,053</u>
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**Alcona Township**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
March 31, 2006

	<u>Tax Collection Fund</u>
<b>Assets:</b>	
Cash	\$ 3,485
Total assets	<u>\$ 3,485</u>
<b>Liabilities:</b>	
Due to other funds	<u>\$ 3,485</u>

See Notes to Financial Statements.

**Alcona Township**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of Alcona Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**Adoption of New Accounting Standards**

During the fiscal period 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, and amendments to GASB Statement No. 21 and No. 34, issued June 2001, and in GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. These statements require the Township to prepare government-wide financial statements on an accrual basis and other various changes to presentation.

**Reporting Entity**

Alcona Township operates under an elected Board of Trustees and provides various services to its residents including public safety, community enrichment and development, and human services. The accompanying financial statements of Alcona Township have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining which of the governmental organizations are a part of the Township's reporting entity include oversight responsibility, fiscal dependency, scope of public service, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the Township does not contain any component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Alcona Township**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exceptions to this general rule is payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Fund-Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

**General Fund** – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Road Fund** – The Road Fund is a special revenue fund maintained to account for revenues from a special assessment and expenditures for road construction and maintenance.

**Fire Fund** – The Fire Fund is a special revenue fund maintained to account for the revenues from a special assessment and expenditures for fire protection services.

**Special Revenue Funds** – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. In addition to the special revenue funds reported as major funds (the Road Fund and the Fire Fund), the Township maintains the Island View Fund and the Scott's Park Fund.

**Alcona Township**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Additionally, the government reports the following fund types:

**Fiduciary Fund Types** - The Tax Collection Fund is used to account for assets held in trust or as an agent for others.

**Additional Financial Statement Presentation Information** – Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Township reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The Township had no investments at March 31, 2006.

State statutes authorize the Township to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

**Alcona Township**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables** – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	39
Equipment and furniture	5 - 12

**Long-Term Obligations** – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for use for specific purposes.

Designations of fund balance represent tentative management plans that are subject to change.

**Property Taxes** - The government's property taxes are levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through February 28; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Alcona County.



**Alcona Township**  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Property Taxes (Continued)** - Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Township for 2005 had a taxable value of approximately \$102,638,203. The government's general operating tax rate for fiscal year 2005-06 was .5105 mills.

**Note 2 - Stewardship, Compliance and Accountability**

The General Fund is the governmental fund type under formal budgetary control. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) General Fund and Special Revenue Funds budgets are presented to the Township Board in February, at which time hearings on the budgets are scheduled.
- 2) The budgets, and an appropriation ordinance implementing them, is then adopted in March.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the General Fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) The Governing Board has the authority to amend all budgets at the fund level. It further has the right to amend the General Fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments. Violations if any, for the General Fund and Special Revenue Funds are noted in the required supplementary information section.
- 8) The budgetary information presented has not been amended during the year by an official action of the Township Board.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

**Note 3 - Cash and Cash Equivalents**

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ <u>803,872</u>	\$ <u>3,485</u>	\$ <u>807,357</u>

The breakdown for deposits for the Township is as follows:

Deposits (checking, savings accounts and certificates of deposit)	\$ <u>807,357</u>
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**Alcona Township**  
Notes to Financial Statements

**Note 3 - Cash and Cash Equivalents (Continued)**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$620,060 of the Township's bank balance of \$820,060 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township had no investments at year-end.

**Note 4 - Receivables**

Receivables of the governmental activities of the primary government at March 31, 2006, consist of taxes receivables of \$21,405.

**Note 5 - Capital Assets**

Capital assets activity for the year ended March 31, 2006 was as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals and Adjustments</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 263,000	\$ -	\$ -	\$ 263,000
Total capital assets not being depreciated	<u>263,000</u>	<u>-</u>	<u>-</u>	<u>263,000</u>
Capital assets being depreciated:				
Buildings and improvements	75,895	152,369	-	228,264
Equipment and furniture	<u>656,951</u>	<u>20,760</u>	<u>-</u>	<u>677,711</u>
Total capital assets being depreciated	<u>732,846</u>	<u>173,129</u>	<u>-</u>	<u>905,975</u>
Accumulated depreciation:				
Buildings and improvements	70,000	4,058	-	74,058
Equipment and furniture	<u>471,454</u>	<u>52,506</u>	<u>-</u>	<u>523,960</u>
Total accumulated depreciation	<u>541,454</u>	<u>56,564</u>	<u>-</u>	<u>598,018</u>
Total capital assets being depreciated - net	<u>191,392</u>	<u>116,565</u>	<u>-</u>	<u>307,957</u>
Governmental activities capital assets - net	<u>\$ 454,392</u>	<u>\$ 116,565</u>	<u>\$ -</u>	<u>\$ 570,957</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 6,092
Public safety	<u>50,472</u>
Total depreciation expense – governmental activities	<u>\$ 56,564</u>

**Alcona Township**  
Notes to Financial Statements

**Note 6 - Interfund Receivables and Payables**

The Township reports interfund balances between funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the Statements of Net Assets/Balance Sheet for Governmental Funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
<b>Due from/to other funds:</b>		
General Fund	\$ 3,485	\$ -
Fiduciary Fund	-	3,485
	<u>\$ 3,485</u>	<u>\$ 3,485</u>

**Note 7 - Long-Term Debt**

The Township issues notes and capital leases to provide for the construction of major capital facilities and the acquisition of certain equipment. The total interest expense for the year was \$8,392.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Notes payable	\$ -	\$ 99,036	\$ 7,704	\$ 91,332	\$ 8,716
Capital leases	98,136	-	23,063	75,073	24,017
Total governmental activities	<u>\$ 98,136</u>	<u>\$ 99,036</u>	<u>\$ 30,767</u>	<u>\$ 166,405</u>	<u>\$ 32,733</u>

Annual debt service requirements to maturity on the above governmental obligations are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 32,733	\$ 6,426	\$ 39,159
2008	34,064	5,095	39,159
2009	35,448	3,711	39,159
2010	9,767	2,269	12,036
2011	10,144	1,892	12,036
2012-2016	44,249	3,488	47,737
Total	<u>\$ 166,405</u>	<u>\$ 22,881</u>	<u>\$ 189,286</u>

**Note 8 - Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**Alcona Township**  
Notes to Financial Statements

**Note 9 - Defined Contribution Pension Plan**

The Township provides retirement benefits to all of its full-time employees through a 401k Defined Contribution Plan. The plan is administered by Travelers. Employees are eligible to participate as of the following October 1st after the date of hire. Employer contributions are equal to 15.0% of wages for participating employees.

Employer contributions for the year-end was approximately \$10,200, based on approximately \$69,000 of covered wages and approximately \$88,000 of total wages.

## **Required Supplemental Information**

**Alcona Township**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
Year Ended March 31, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Revenues:</b>			
Taxes	\$ 83,000	\$ 83,000	\$ 94,146
Intergovernmental	72,000	72,000	73,548
Interest and rentals	5,000	5,000	20,782
Other revenue	30,811	30,811	12,808
Total revenues	<u>190,811</u>	<u>190,811</u>	<u>201,284</u>
<b>Expenditures:</b>			
General government:			
Legislative (Township Board)	2,400	2,400	2,447
Executive	9,900	9,900	10,317
Assessor	25,800	25,800	25,217
Treasurer	12,870	12,870	12,999
Clerk	11,500	11,500	11,755
Zoning	4,500	4,500	3,754
Board of Appeals	1,500	1,500	795
Planning Board	9,000	9,000	5,628
Township Hall	40,000	40,000	22,806
Other	73,341	73,341	28,609
Total general government	<u>190,811</u>	<u>190,811</u>	<u>124,326</u>
Public works:			
Capital Outlay	200,000	200,000	164,405
Total public works	<u>200,000</u>	<u>200,000</u>	<u>164,405</u>
Recreation and culture	<u>11,000</u>	<u>11,000</u>	<u>6,157</u>
Total expenditures	<u>401,811</u>	<u>401,811</u>	<u>294,888</u>
<b>Revenues Over (Under) Expenditures</b>	(211,000)	(211,000)	(93,604)
<b>Other Financing Sources (Uses):</b>			
Loan proceeds	<u>-</u>	<u>-</u>	<u>99,036</u>
<b>Net Changes in Fund Balances</b>	(211,000)	(211,000)	5,432
<b>Fund Balances - Beginning of Year</b>	<u>320,495</u>	<u>320,495</u>	<u>320,495</u>
<b>Fund Balances - End of Year</b>	<u>\$ 109,495</u>	<u>\$ 109,495</u>	<u>\$ 325,927</u>

**Alcona Township**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Road Fund  
Year Ended March 31, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Revenues:</b>			
Taxes	\$ 143,000	\$ 143,000	\$ 150,479
Other revenue	-	-	3,283
Total revenues	<u>143,000</u>	<u>143,000</u>	<u>153,762</u>
<b>Expenditures:</b>			
Public works	<u>292,279</u>	<u>292,279</u>	<u>170,816</u>
Total expenditures	<u>292,279</u>	<u>292,279</u>	<u>170,816</u>
<b>Net Changes in Fund Balances</b>	(149,279)	(149,279)	(17,054)
<b>Fund Balances - Beginning of Year</b>	<u>289,180</u>	<u>289,180</u>	<u>289,180</u>
<b>Fund Balances - End of Year</b>	<u>\$ 139,901</u>	<u>\$ 139,901</u>	<u>\$ 272,126</u>

**Alcona Township**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Fire Fund  
Year Ended March 31, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Revenues:</b>			
Taxes	\$ 140,000	\$ 140,000	\$ 150,479
Interest and rentals	-	-	6,597
Other revenue	-	-	8,157
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>165,233</u>
<b>Expenditures:</b>			
Public safety	<u>222,367</u>	<u>222,367</u>	<u>153,708</u>
Total expenditures	<u>222,367</u>	<u>222,367</u>	<u>153,708</u>
<b>Net Changes in Fund Balances</b>	(82,367)	(82,367)	11,525
<b>Fund Balances - Beginning of Year</b>	<u>209,389</u>	<u>209,389</u>	<u>209,389</u>
<b>Fund Balances - End of Year</b>	<u><u>\$ 127,022</u></u>	<u><u>\$ 127,022</u></u>	<u><u>\$ 220,914</u></u>



## **Other Supplemental Information**

## Other Supplemental Information

**Alcona Township**  
Combining Balance Sheet  
Other Nonmajor Governmental Funds  
March 31, 2006

	<u>Island View Fund</u>	<u>Scott's Park Fund</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash	\$ 2,426	\$ 7,243	\$ 9,669
Receivables:			
Taxes receivable	137	(11)	126
Total assets	<u>\$ 2,563</u>	<u>\$ 7,232</u>	<u>\$ 9,795</u>
<b><u>Liabilities and Fund Balances</u></b>			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Other liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Unrestricted	2,563	7,232	9,795
Total fund balances	<u>2,563</u>	<u>7,232</u>	<u>9,795</u>
 Total liabilities and fund balances	 <u>\$ 2,563</u>	 <u>\$ 7,232</u>	 <u>\$ 9,795</u>

**Alcona Township**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Other Nonmajor Governmental Funds  
Year Ended March 31, 2006

	<b>Island View Fund</b>	<b>Scott's Park Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Taxes	\$ 1,199	\$ 5,894	\$ 7,093
Total revenues	<u>1,199</u>	<u>5,894</u>	<u>7,093</u>
<b>Expenditures:</b>			
Recreation and culture	2,492	8,747	11,239
Total expenditures	<u>2,492</u>	<u>8,747</u>	<u>11,239</u>
<b>Net Changes in Fund Balances</b>	(1,293)	(2,853)	(4,146)
<b>Fund Balances - Beginning of Year</b>	<u>3,856</u>	<u>10,085</u>	<u>13,941</u>
<b>Fund Balances - End of Year</b>	<u><u>\$ 2,563</u></u>	<u><u>\$ 7,232</u></u>	<u><u>\$ 9,795</u></u>